



**CONGRESSIONAL BUDGET OFFICE
INTERGOVERNMENTAL MANDATES STATEMENT**

June 8, 1999

**S. 192
Fair Minimum Wage Act of 1999**

As introduced on January 19, 1999

SUMMARY

S. 192 would amend the Fair Labor Standards Act of 1938 (FLSA) to increase the federal minimum wage rate from \$5.15 to \$5.65 per hour on September 1, 1999, and to \$6.15 per hour on September 1, 2000. It would also apply the minimum wage provisions of the FLSA to the Commonwealth of the Northern Mariana Islands (CNMI).

INTERGOVERNMENTAL MANDATES CONTAINED IN BILL

S. 192 would impose an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) because state, local, and tribal governments would be required to pay a higher minimum wage to employees than they are required to pay under current law.

ESTIMATED DIRECT COSTS OF MANDATES TO STATE, LOCAL, AND TRIBAL GOVERNMENTS

Is the Statutory Threshold (\$50 million in 1996, adjusted annually for inflation) Exceeded?

Yes, beginning in federal fiscal year 2000.

Total Direct Costs of Mandates

	By Fiscal Year, in Millions of Dollars				
	1999	2000	2001	2002	2003
Direct Costs	10	130	350	300	280

These amounts include the estimated increase in wages and payroll taxes that state, local, and tribal government employers would be required to pay to raise the wage rates of all employees who would otherwise have been paid between \$5.15 and the proposed rate. By comparison, according to the Bureau of the Census, total state, local, and tribal government payroll exceeded \$470 billion in 1997. Based on information from the U.S. Department of Labor and CNMI, CBO estimates that the cost to the Commonwealth of the Northern Mariana Islands of complying with the mandate to pay the federal minimum wage would not be significant because the number of public employees affected by the bill would be small.

BASIS OF ESTIMATE

Under S. 192, the minimum wage would increase from \$5.15 to \$5.65 per hour on September 1, 1999, and to \$6.15 on September 1, 2000. In addition, the minimum wage provisions of the FLSA would apply to the Commonwealth of the Northern Mariana Islands. The provision of the FLSA permitting employers to pay teenagers \$4.25 per hour during the first 90 consecutive days of employment, as well as other sections providing different rules for certain workers and employers, would not change.

CBO estimated the total number of workers whose wages would be affected by the increase in the minimum wage rate in September 1999 and subsequent months, the wage rates these workers would receive in the absence of the enactment of the proposal, and the number of hours for which they would be compensated. Fewer than 10 percent of the affected workers were employed by state, local, or tribal governments.

The estimate was made in two steps. First, CBO used data from the Current Population Survey to estimate how much it would have cost employers to comply with the mandate had they been required to do so in early 1999. Second, these estimates were used to project the costs to employers beginning in September 1999, taking into account the expected decline in the number of workers in the relevant wage range. Limitations of the data and methods are discussed in more detail in the private-sector mandate statement that accompanies this statement.

**APPROPRIATION OR OTHER FEDERAL FINANCIAL ASSISTANCE PROVIDED
IN BILL TO COVER MANDATE COSTS**

None.

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